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Report of the Secretary-General on the United Nations Interim Administration Mission in Kosovo

I. Introduction

1. The present report is submitted pursuant to Security Council resolution 1244 (1999) of 10 June 1999, by which the Council decided to establish the United Nations Interim Administration Mission in Kosovo (UNMIK) and requested the Secretary-General to report at regular intervals on the implementation of the mandate. It covers the activities of UNMIK and developments in Kosovo (Serbia), from 15 August to 31 October 2006.

II. Political assessment

2. The future status process for Kosovo continued to advance during the reporting period. My Special Envoy for the future status process for Kosovo, Martti Ahtisaari, convened further rounds of direct talks between Belgrade and Pristina on decentralization, cultural and religious heritage and community rights on 7 and 8 September. The talks gave the sides an opportunity to engage in a substantial exchange of views on the issues at hand, without resulting, however, in any major shifts of position. Overall, the positions of the parties in each of the areas discussed remain far apart. Following the talks, my Special Envoy brought the sides together for another round of direct discussions on the delineation of new municipalities, including Mitrovica, in the context of the talks on decentralization which, however, did not result in any substantial progress. Expert-level consultations with the sides continued throughout the reporting period.

Political situation

3. The political situation in Kosovo during the reporting period was characterized by an intensified focus on the future status process, which continues to be the dominating factor in political life in Kosovo. High expectations on the part of Kosovo Albanians, coupled with recent speculations about a possible delay in the process, have led to a feeling of uncertainty as to the way ahead and are likely to be a source of instability if momentum slows. There is a widespread feeling among them that a tangible delay in the process would entail high political and economic costs. Fringe groups and extremists on all sides stand ready to exploit more widespread frustration. Uncertainty and frustration are also prevalent among the

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Serbs and other minority populations, raising the potential for instability pending a political solution.

4. Members of the Kosovo negotiating team have been confronted with increased pressures, both internally and externally. Many feel that the negotiation process is exhausted and that there is no more room for compromise. The issue of decentralization has led to protests in a number of Kosovo Albanian-majority municipalities affected by the decentralization plan proposed by the team. In the municipality of Gnjilane, demonstrations were organized by the local municipal leadership in concert with the War Veterans' Associations and the Self-Determination movement. Similar protests were held in Vitina, Novo Brdo and Kamenica.

5. The beginning of the Democratic League for Kosovo (LDK) party election process has been another source of pressure on the unity of the negotiating team and the Kosovo Government. On 5 September, the LDK Presidency proposed Kosovo President Sejdiu as its candidate for the party chief position, despite the stipulation in the constitutional framework that the President of Kosovo shall not hold any other office or employment. My Special Representative made it clear to President Sejdiu that, in the event of his election as party President, he would immediately have to decide either to resign as President of Kosovo or not to assume the office of party President. President Sejdiu nevertheless accepted the nomination and will run against the former Assembly President, Nexhat Daci.

6. The new Serbian Constitution, which describes Kosovo as an integral part of Serbia, was heavily criticized in a statement of the Kosovo Assembly. The referendum in Kosovo on the Serbian Constitution on 28 and 29 October was conducted without incident.

7. Security incidents involving Kosovo Serbs continued during the reporting period. On 26 August, a grenade attack on a cafe at the northern end of the main bridge over the river in Mitrovica injured 9 people, leading to protests by 300 Kosovo Serbs and the temporary closure of the main bridge. A Kosovo Albanian juvenile suspect was arrested in connection with the attack and remains under house detention. A grenade attack on a Kosovo Serb returnee family in the town of Klina on 19 September wounded a family of four and further raised tensions in the community. All leaders of the Kosovo Provisional Institutions of Self-Government and Kosovo Albanian political leaders condemned the attacks. Despite these incidents, the overall number of potentially ethnically motivated crimes has considerably decreased in the course of this year.

8. The Mission made strenuous and successful efforts to encourage members of the negotiating team and the Provisional Institutions more widely to reach out to majority and minority communities. Prime Minister Agim Çeku has been particularly active in reaching out to Kosovo's minority communities and in responding to security incidents, while the negotiating team has made efforts in explaining the political process and its role to citizens, particularly in areas that will be affected by the team's decentralization proposal in the negotiations.

9. There has still been virtually no Kosovo Serb participation in Kosovo's political institutions at the central level. Reserved positions in the Assembly and Government have not been taken up and the Minister of Communities and Returns remains the only Kosovo Serb member of the Government. While some

participation of members of the Serbian List for Kosovo and Metohija in Assembly committee work has taken place and two more small, independent Kosovo Serb parties have been formed, the engagement of the Kosovo Serb community in and with the Provisional Institutions remains severely limited. This is particularly true in the northern municipalities dominated by the Serb National Council, which continue their boycott of contacts with the Provisional Institutions. While my Special Representative has worked to increase the level of communication with the leaders of the Serb National Council, they continue to operate a separate sphere of local governance, closely linked with the institutions of Serbia.

Security

10. Coordinated action by UNMIK police and the Kosovo Force (KFOR), supported by the international community, has for now stabilized the situation in the north of Kosovo, at least on the surface. Operations Stringent Security (focusing on preventing and investigating crime against Kosovo Serbs) and Safety Chain (designed to prevent and resolve attacks with political motives) continued.

11. The Mission and the Provisional Institutions have moved forward in transferring aspects of security to greater local control. The establishment of the Kosovo Ministry of Justice is proceeding well, with good cooperation between the UNMIK Department of Justice and the Ministry, following the positive outcome of the interim review and the transfer of the second phase of competencies in April 2006 (see S/2006/707, para. 17). Attempts by the Ministry to exercise closer control over the Office of the Public Prosecutor of Kosovo is a cause for possible concern, but the drafting of a law on prosecutors is being closely monitored to ensure it meets European standards in safeguarding their independence. Also following the positive interim review and the transfer of additional competencies relating to oversight of the Kosovo Police Service (KPS), the consolidation of the Kosovo Ministry of Internal Affairs is progressing. The Kosovo Police Inspectorate has been established and its members are currently undergoing training by the Organization for Security and Cooperation in Europe (OSCE). With support from the European Agency for Reconstruction and the United Kingdom Department for International Development, the Ministry has developed its mission statement and strategic plan. UNMIK and the donor agencies are focusing on four priority areas: clarification of the role and authority of the Ministry vis-à-vis KPS; the creation of capacity for managing migration and repatriation; improved capability for emergency preparedness and response; and civil registration and documentation.

Standards

12. Sustained progress on standards has been an encouraging feature throughout 2006, and the Provisional Institutions deserve credit for continuing to give priority and emphasis to the programme. The standards programme in turn continues to strengthen the Kosovo institutions, which gain more experience in coordination and implementation, but its impact upon Kosovo Serb communities is limited by their own reluctance to cooperate with the Pristina authorities. The 13 priorities identified by the Contact Group in June continued to receive close attention. All were either achieved or show substantial progress. The Provisional Institutions are also now creating structures and workplans to implement the European Partnership Action Plan adopted in August (S/2006/707, para. 14). The standards programme now forms an integral part of that Plan. A detailed technical assessment of standards

implementation for the period from 15 August to 31 October, prepared by my Special Representative, is contained in annex I to the present report.

Decentralization

13. Further progress has been made in the implementation of the three existing pilot municipal units in Kosovo. Each of the units now has the capability to issue civil status documents (birth, marriage and death certificates), certified by the Ministry of Public Services, and generate its own revenue, though this aspect remains limited at this stage. More importantly, the Kosovo Ministry of Local Government Administration, the Ministry of Finance and Economy, the three units and the host municipalities from which they are derived, signed a memorandum of understanding for the support for and gradual transfer of responsibilities from the host municipalities to the units. The 2007 budget cycle will treat the units as separate budget organizations, which is a necessary basis for their transformation into full-fledged municipalities in 2007. The units will also collect and distribute property taxes, manage education and health grants and, in coordination with other signatories of the memorandum, jointly manage schools and primary health-care facilities. The Ministry will also conduct an assessment jointly with UNMIK on the current process of establishing other units and their performance. That assessment could serve as a valuable tool for implementation of the decentralization proposal led by the Office of the Special Envoy for the future status process for Kosovo.

Cultural and religious heritage

14. Weekly security meetings between UNMIK, UNMIK police, KPS and focal points on cultural heritage at the central and regional levels are now held to improve communication and raise the awareness of cultural heritage protection within KPS. There was a decrease in the incidents reported against Serbian Orthodox Church sites with a corresponding increase in the number of patrols by KPS to cultural heritage sites during the reporting period. In October, UNMIK also intervened through the Provisional Institutions to stop illegal constructions in the vicinity of the cultural heritage sites included by the Office of the Special Envoy in the list of sites for proposed protective zones. As September was Cultural Heritage Month, UNMIK organized a second round of its heritage-awareness campaign in 30 municipalities. On 9 October, the Assembly passed the Law on Cultural Heritage, including key passages insisted upon by the Special Envoy, the Council of Europe and UNMIK, with regard to additional legislation on religious communities and potential amendments to harmonize the law with future status agreements.

15. The reconstruction of Serbian Orthodox Churches damaged or destroyed during the violence of March 2004 has moved forward. Extensive interventions on seven sites under the direction of the Reconstruction Implementation Commission, chaired by the Council of Europe, have been under way since the end of August and will be completed by mid-December 2006. The United Nations Educational, Scientific and Cultural Organization (UNESCO) and UNMIK signed an umbrella memorandum of understanding on 11 September, which will provide a framework for the implementation of projects arising from the pledges made at the 2005 UNESCO donor conference. For implementation to begin, supplementary memorandums must be signed on a project-by-project basis. UNMIK and UNESCO are currently in the process of negotiating the first of these memorandums regarding a project funded by the United States of America.

Dialogue

16. The dialogue between Pristina and Belgrade on technical issues made moderate progress. The Working Group on Missing Persons met in closed session in Pristina on two occasions. On 1 September, the delegations agreed that work should focus on suspected burial sites where additional data should be sought and ensuring that no potential site has been omitted. The meeting on 19 October followed up on issues raised and commitments made at previous meetings. However, as at previous sessions, no new concrete information was offered by either delegation on the fate or location of missing persons. Discussions focused on objectives to be achieved in order for the Chair from the International Committee of the Red Cross, to be able to convene the next formal session of the Working Group.

17. Renewed commitment to the dialogue process was evident in relation to the work of the Working Group on Energy, which met in Belgrade on 26 October. Discussions covered energy transmission and supply, gas supply and possibilities for cooperation concerning Belgrade's offers of unconditional supply of free electricity to Kosovo and bill collection in some areas. The Working Group on Returns has not met since 23 June owing to scheduling problems on all sides, and there have subsequently been delays in the establishment of a technical subgroup agreed upon at that meeting. The Working Group on Transport and Telecommunications remained dormant during the reporting period.

Returns

18. While remaining steady, the number of minority returns to Kosovo is unsatisfactory: UNHCR estimates that 1,173 minority community members returned from January to September 2006. The primary factors affecting returns continue to include lack of economic opportunities, uncertainty about the future status of Kosovo, and, to a much lesser degree than in the past, security. The attitude of receiving communities continues to improve. Municipalities are also demonstrating the capacity to directly implement components of returns projects, making them more sustainable and less expensive. The Office of the Prime Minister took corrective action to allocate remaining funds to support returns of internally displaced persons to Kosovo. However, a funding shortfall of €20 million affects 22 approved return projects, all of which have been recently re-evaluated with stakeholders to bring down projected costs. Cooperation on returns between the Provisional Institutions and the Government of Serbia continued at the local level, particularly on matters of humanitarian concern. From January to September 2006, the overall number of persons involuntarily repatriated from host countries reached 2,697. Repatriation functions are in the process of being transferred to the Provisional Institutions.

Economy

19. A number of significant economic developments took place during the reporting period. Following an agreement with the World Bank, other donors and UNMIK, the Kosovo Ministry of Energy and Mining issued, on 19 August, a request for expressions of interest for the development of a new lignite mining facility, its associated new electricity generating and transmission capacity, as well as the rehabilitation of some of Kosovo's existing electricity generating facilities. The issuance of the request was followed, on 10 and 11 October, by a Ministry-

sponsored international investors' conference, promoting the project to potential investors and acquainting them with Kosovo's existing power generation capacities. On 24 August, the Special Representative signed a regulation that transformed the Banking and Payments Authority of Kosovo into the Central Banking Authority of Kosovo. One of its main objectives was to transfer to local control the Governing Board of that important institution, as well as to strengthen its powers in regulating and managing Kosovo's financial system. The newly established body has produced Kosovo's first balance of payments report in accordance with the guidelines of the International Monetary Fund.

Regional cooperation

20. During the reporting period, economic cooperation and trade with regional neighbours was the highlight in terms of regional cooperation. Two bilateral free trade agreements were signed on 28 September and 19 October, with Croatia and with Bosnia and Herzegovina, respectively. Negotiations on a single agreement for the region of South-East Europe were concluded in Brussels on 20 October. On 17 October, UNMIK and the Provisional Institutions signed two memorandums of understanding with Albania on cooperation in the field of energy and for the construction of a new 400 kV connection line between Kosovo and Albania.

Future international arrangements and transition

21. My Special Representative has intensified preparations for the end of the UNMIK mandate following an eventual political settlement, while recognizing that the Mission will retain all of its authority and existing responsibilities for as long as resolution 1244 (1999) remains in force. Planning has included an analysis of all tasks performed by UNMIK and of action necessary to achieve a successful transition. The Steering Group has continued to meet in Pristina under the chairmanship of my Special Representative, bringing together all interested parties from the international community, including representatives of the planned future International Civilian Office.

III. Observations

22. The future status process has enabled the parties to engage in focused negotiations, in which the representatives of Serbia and Kosovo have clearly delineated their respective positions. I remain disappointed that the process has resulted in only uneven progress and limited agreement on some specific elements, and that the two sides have not moved from their diametrically opposed views on the future status of Kosovo. At the same time, I call upon all sides to refrain from any unilateral actions and statements.

23. It is important to keep the momentum in the political process. Everyone needs clarity with regard to the future status of Kosovo. The sustained support of the Council and key Member States is essential, and I call upon them to keep Kosovo on their agenda as we move forward.

24. I welcome the commitment shown throughout 2006 by the Government of Kosovo to the implementation of the standards, and especially to the 13 priority points identified by the Contact Group. The progress made in the standards programme, and the experience and skills developed by implementing it, have

strengthened the institutions of Kosovo and contributed to building a foundation for future development. As we look ahead, the leaders and people of Kosovo need to bear in mind that a political settlement will not be a panacea for all challenges ahead. It remains important for the Kosovo authorities to take the progress achieved still further, and not to lose sight of all the standards that are important to developing more stable and effective institutions and to improving the delivery of services to all people in Kosovo.

25. Progress will be achieved by demonstrating through actions, not words, that everyone has a future in Kosovo. It will be important that substantive actions take precedence over symbolism with the aim of promoting confidence and stability. I would urge the leaders of all communities not to yield to the temptation of divisive words and actions, but to embrace the opportunity to promote reconciliation and dialogue. It takes more courage and strength to do so, and the main burden rests with the leaders of the majority population.

26. I call on the members of the negotiating team to remain united and commend them for their efforts to reach out to all communities in Kosovo. I appeal to them to continue their efforts in order to keep the communities of Kosovo informed about the future status process and to prepare the population for the eventual settlement.

27. I note with dismay that violent attacks continue to be made by a few in an attempt to effect political change. I am resolute in condemning such violence and call upon the people of Kosovo to help their institutions defeat it. Political developments and timelines will not be dictated by the streets, and violence will not be tolerated. Leaders will be held responsible for managing expectations and controlling possible discontent.

28. I am disappointed that Kosovo Serb leaders continue to remain outside the political process in Kosovo. This is a disservice to their community. I once again call on the Belgrade authorities to remove all impediments to Kosovo Serb participation in Kosovo institutions, and on the Kosovo Serb leaders to engage with the Provisional Institutions.

29. I would like to extend my appreciation to my Special Representative, Joachim Rücker, for his dedication and work on behalf of the Organization. I also express my gratitude to the staff of UNMIK for their continued steadfastness in carrying out their challenging tasks, often in difficult circumstances. I would like to extend my appreciation to KFOR, our partners within UNMIK — the European Union and OSCE — and the United Nations agencies, funds and programmes as well as other organizations, contributors and donors for their commitment and valuable support. I welcome the close cooperation between all stakeholders in preparing the ground for a transition that will follow an eventual determination of the future status of Kosovo.

Annex I

Technical assessment of progress in implementation of the standards for Kosovo

Prepared by the Special Representative of the Secretary-General for Kosovo, 6 November 2006

1. The standards programme continued to benefit from the momentum built up during 2006, and from the continued attention and effort on the part of the Kosovo authorities. As a whole, the programme now presents a picture of institutions gradually gaining in strength and as a result improving their performance.

2. The 13 priority points presented to the Government of Kosovo by the Contact Group in June continued to be a focus of particular attention; the present report begins with an analysis of the progress made on them. The Provisional Institutions of Self-Government in Kosovo made a sustained effort to fulfil the tasks entailed and by the end of the reporting period, this subset of objectives had been either substantially or wholly achieved.

The 13 priorities for standards implementation

3. **Priority 1**. The Law on Freedom of Religion was adopted on 13 July by the Assembly and promulgated on 24 August. The Law on Cultural Heritage was approved by the Assembly on 9 October. On 27 July, the Assembly adopted the Law on Languages which provides for full equality of Albanian and Serbian as official languages of Kosovo, and requires other minority languages to be official in municipalities where the respective minority constitutes at least 5 per cent of the population. On 21 September, the Assembly adopted an amendment establishing Turkish as an official language in the municipality of Prizren, irrespective of the size of the Turkish community there. That law was promulgated on 20 October.

4. **Priority 2**. The Kosovo Protection Corps (KPC) was assigned a major role in completing operational aspects of the reconstruction work in Svinjare/Svinjare. While the deadline of 31 October was not met, partly because of late availability of funding and partly because the original scope of the work was later extended, the bulk of the work is completed and the balance under way. A panel for resolving other claims, run by the Provisional Institutions, recommended to the Prime Minister on 30 October that 11 outstanding contractors' claims should be paid, but no recommendations were made on outstanding commercial claims.

5. **Priority 3**. The Kosovo Property Agency launched a rental scheme pilot project covering 200 of the 5,294 properties currently under its administration. To date, 195 property right holders have been contacted, of whom 111 have signed an agreement with the Agency. A total of 28 tenants have begun to pay rent. Following pressure from the Provisional Institutions, several banks have agreed to reduce their charges on transfers outside Kosovo. The Provisional Institutions have begun an advertising campaign on television to promote public awareness of the scheme. The pilot scheme now needs to be extended to all residential properties under administration.

6. **Priority 4**. A total of 1,150 Housing and Property Directorate decisions remain to be implemented, down from 2,804 in June. Standard operating procedures for the Kosovo Police Service (KPS) to deter and remedy reoccupation of houses after

eviction were approved in August and are currently being amended in discussions between the police and the Kosovo Property Agency.

7. **Priority 5**. On 31 August, UNMIK and the Ministry of Transport and Communications signed a memorandum of understanding governing the transfer of the competency of UNMIK to provide humanitarian train and bus services for minority communities in Kosovo. There will be no change in the current service providers until 2008. Affected communities will be invited to participate in the selection of new bus routes in 2007.

8. **Priority 6**. The Government of Kosovo and UNMIK reached an agreement on 30 June on the allocation of the remaining €4,700,000 in returns project funds from the Ministry of Returns and Communities. Under the agreement, €1,100,000 was to be transferred to KPC in support of the Svinjarë/Svinjare reconstruction programme. However, it was found that the Ministry had spent the funds on other activities. The Government then identified €1,100,000 outside the Ministry's budget and allocated it to KPC as part of the mid-year review process.

9. **Priority 7**. Regarding March 2004 cases, of the 323 criminal charges originally made in local courts, excluding Minor Offences courts,[1] 198 have led to indictments which in turn have brought 134 convictions. A total of 28 cases remain under investigation. International courts have indicted 31 defendants, of whom 26 have been found guilty and 4 await trial. During the reporting period, police made a total of 12 arrests on charges of arson committed in the municipality of Fushë Kosovë/Kosovo Polje during the March 2004 disturbances. International prosecutors and UNMIK police are reviewing all reported incidents to compile an archive and database that will help to show how much remains to be done and facilitate future prosecutions.

10. **Priority 8**. On 1 September, the Ministry of Public Services issued administrative instruction No. MPS 2006/10 defining the rules and procedures of central-level monitoring of the use of official languages. The Government has also compiled the first CD-ROM containing all Government decisions and regulations in the official languages. Copies of the CD-ROM were distributed to ministries and municipalities. All ministries now have staffed translation units, but full implementation of the official language policy will require further training and even more staff, especially at the municipal level.

11. **Priority 9**. On 11 July, the Government distributed the first grants from its Minority Media Fund to 11 recipients.

12. **Priority 10**. All 11 planned Court Liaison Offices have been established and are now fully operational. On 6 September, the Police Commissioner and the Minister for Internal Affairs agreed to establish 17 new submunicipal police stations. To date, 10 are fully operational while the funding or logistical problems affecting the remainder are being addressed. Two proposed substations have not been accepted by their target communities.

13. **Priority 11**. A Director of the Anti-Corruption Agency was appointed on 17 July. The Agency currently employs 7 staff and the recruitment of another 15 is

[1] Figures for convictions quoted in previous technical assessments have aggregated minor offences and more serious charges, but it is now deemed more useful to present the figures in this way.

under way. Plans envisage a total of 35 staff members and a move to new premises in 2007. The Ministry of Justice and the Office of the Prime Minister have appointed officers responsible for maintaining a registry of gifts.

14. **Priority 12**. The Council of the Independent Media Commission was established on 28 August, thus finalizing the handover of regulating radio and television from UNMIK to the Provisional Institutions. The Commission replaces the institution of the temporary Media Commissioner, which was established in 2000. The Council, consisting of two international and five resident members, has selected a chairperson, a deputy chairperson and a chief executive officer.

15. **Priority 13**. The draft law to amend the Law on Public Procurement passed its first reading in the Assembly on 9 October.

Functioning democratic institutions

16. The Government continues to hold in trust the salaries of the Kosovo Serbs who have left the payroll of the Provisional Institutions.

17. An administrative instruction of 10 August of the Ministry of Finance and Economy on the implementation of fair share financing requires municipalities to submit by 15 December an annual plan for minority projects and expenditure for 2007 in consultation with the heads of the municipal community offices and the concerned minority communities.

18. Language units are established in 22 municipalities, while six have only one interpreter/translator and two (Zveçan/Zvečan and Zubin Potok) did not employ any interpreters or translators. All ministries and most municipalities now have simultaneous interpretation equipment, although some municipalities report that it is either underutilized or not properly installed. Most municipalities are fully or partially language-compliant in respect of road and streets signs and municipal buildings.

19. The Ministry of Public Services and the Ministry of Local Government Administration continued to monitor language compliance at the central and municipal levels, respectively, compiling statistics and producing reports, which they plan to issue on a monthly basis. To date, some 50 per cent of municipalities have reported to the Ministry of Local Government Administration.

20. Public grievance redressal offices have been established in all ministries and municipalities. Some of the offices have begun submitting reports on the number of complaints received and addressed.

21. Implementation of a long-term strategy to increase the number and improve the position of women in the Provisional Institutions, drafted by the Office of Gender Equality and approved by the Government on 3 May, has begun with training and the gathering of statistics.

22. Since the first edition of the Official Gazette of the Provisional Institutions in June, issues have been published on a monthly basis, including on the website of the Official Gazette.

23. Since its establishment at the end of August, the Independent Media Council has adopted its rules and procedures, a code of ethics and broadcast policy and sanctioning guidelines. The Council also established working groups regarding the

future licensing process and related guidelines, cable regulation and advertising policies, as well as the protection of minors.

24. Little progress has been made in extending the reach of the signal of Kosovo Radio-Television (RTK) from the current 75 per cent of the population to 90 per cent, as required by law. In September, however, RTK started to broadcast its minority programmes via satellite, thus reaching minority community areas not covered terrestrially.

Functioning democratic institutions: challenges ahead

25. The unwillingness of many Kosovo Serbs to cooperate with the Provisional Institutions remains a challenge and an obstacle to the integration of Kosovo Serb communities into mainstream society.

26. While the monitoring of language compliance has improved, enforcement needs to develop further. An action plan is needed to implement the Law on Languages. Skills need to be developed to analyse collected data and derive policy recommendations.

27. The long-term strategy to increase the number and improve the position of women in the Provisional Institutions, drafted by the Office of Gender Equality and approved by the Government on 3 May, should be further implemented.

28. The Office of the Official Gazette needs additional capacity and resources to develop a systematic approach to the publication of laws and secondary legislation, as well as a database and index to make the extensive existing body of laws accessible.

Rule of law

29. The transfer of additional competencies to the Ministry of Justice and the Ministry of Internal Affairs continues within the parameters established in the relevant UNMIK legislation. Penal management and missing persons and forensics have been transferred to the Ministry of Justice. Minority representation stands at 10.97 per cent in the Ministry of Internal Affairs and 15.16 per cent in the Ministry of Justice. Both ministries are preparing their strategic action plans for the next five years and have adequate financial management systems in place.

30. On 31 August, following the transfer of border police stations and boundary crossings to KPS control, Gates 3 and 4 were handed over. Gates 5 and 6 followed on 13 September. Recently, the Regional Command West and Regional Command North also were transferred. The Directorate of Organized Crime has been partially transferred.

31. The Kosovo Police Service and the Kosovo Correctional Service continue to have a multi-ethnic composition, with 16.09 per cent of minority staff in the Police Service and 14.45 per cent in the Correctional Service.

32. As a result of a recruitment campaign for judges and prosecutors targeting members of underrepresented communities, 15 recommendations for judicial and prosecutorial appointments have been forwarded to the Special Representative of the Secretary-General for appointment, including 8 from underrepresented communities. Non-Albanian representation remained constant from the previous

reporting period, accounting for 9 per cent of judges and 8 per cent of prosecutors. Women's representation also remained constant, at 26 and 18 per cent, respectively.

33. The civil court backlog increased 1.43 per cent in comparison to the previous reporting period, to 45,699 cases. A team of experts has been recruited by the European Agency for Reconstruction to assist with the implementation of the case management information system.

34. Inter-ethnic crime continues at a low level, though dramatic incidents, such as the hand grenade attack on the Dolce Vita bar in Mitrovicë/a on 26 August, continue to make headlines.

Rule of law: challenges ahead

35. More work is needed to develop and implement a comprehensive judicial and prosecutorial vetting procedure to ensure the integrity and competence of judges and prosecutors.

36. Further efforts are needed to protect witnesses from intimidation. Legislation on witness protection needs to be finalized.

37. To supplement the targeted recruitment drive, more work is needed to increase the number of underrepresented communities among judges and prosecutors. The Ministry of Justice needs to target non-Albanian communities and run an outreach programme to attract applications from recent law school graduates, especially Serbs.

38. Additional efforts are necessary to implement the case management information system to enable more efficient and transparent case management. Judges, prosecutors and court staff need to be encouraged to use the system.

Freedom of movement

39. The police continue to assess the security situation as stable but fragile. Regular surveys conducted by KPS show that over 94 per cent of minorities travel outside their area of residence and that their perception of freedom of movement remains good; between 91 and 96 per cent of those interviewed stated that the situation was satisfactory.

40. The main bridge across the Ibar in Mitrovicë/a was closed for several weeks following the incident reported in paragraph 34 above.

41. Political and institutional leaders continue to condemn incidents of violence and vandalism when they occur, such as the attack on Kosovo Serbs in Klinë/a on 20 September. The Prime Minister visited the victims shortly after the incidents.

42. On 8 September, the Prime Minister participated in a conference on inter-ethnic dialogue to show support for dialogue initiatives. The Confidence Building Task Force and the Communities Security Council established during the previous reporting period did not meet during the reporting period, though the latter initiative led to the approval of a number of quick-impact projects in vulnerable communities.

43. The number of vehicle technical control sites in non-Albanian communities continues to increase. There are currently seven inspection sites designated in such areas, of which four, including Leposaviq/ć, are operational, while the remaining three still need to fulfil the technical criteria for licensing.

44. Escorts and checkpoints continue to be reduced throughout Kosovo without affecting freedom of movement. Non-Albanian civil servants at the central and municipal levels travel to work without escorts.

45. The Kosovo Serb basketball team "Bambi" from Mitrovicë/a joined the Kosovo league and has played several games in various locations, despite intimidation of the trainer by members of the Kosovo Serb community.

Freedom of movement: challenges ahead

46. More direct contact between police and families is necessary in areas where juveniles still occasionally throw stones at vehicles thought to be carrying Serbs.

Sustainable returns and the rights of communities

47. An increasing number of municipalities have shown considerable progress in taking over the ownership of the returns process, while central-level involvement remains impeded by serious financial and administrative management problems in the Ministry of Returns and Communities.

48. All relevant municipalities have developed municipal returns strategies, though those in Zveçan/Zvečan and Leposaviq/ć still need to be endorsed by the Municipal Assembly.

49. In all municipalities in which municipal working groups on returns are functioning, the chairmanship now lies with the municipality. Task forces are functioning in locations with ongoing organized returns as well as in Mitrovicë/a, where several task forces cover the gap left by the absence of a working group. In most cases, the displaced are represented in the working group and/or taskforce. With some exceptions (Leposaviq/ć, Malishevë/Mališevo, Gjakovë/Djakovica, Gjilan/Gnjilane, Lipjan/Lipljan and Kaçanik/Kačanik), municipalities are now giving support to the returns process.

50. While ever more returns projects are being developed by municipalities, lack of funding remains the single most important obstacle to returns. UNMIK and the Ministry of Returns and Communities jointly revised the budgets of all pending returns projects to cut costs and provide municipalities with a greater implementing role: as a result the funding gap was revised downwards by €6 million and now stands at €20 million for 22 approved organized returns projects. However, the budget submission for 2007 of the Ministry omitted those projects in favour of others that are not in conformity with the existing policies and have not been endorsed at the municipal level.

51. The Belgrade authorities have cooperated with the Kosovo institutions on humanitarian matters, particularly at the municipal level. A joint returns project is being implemented in Llugë/Lugovo and Gjurakovc/Djurakovac (Istog/k) and another project is being jointly developed in Badovc/Badovac (Prishtinë/Priština).

52. Terms of reference have been developed regarding the establishment of human rights units in ministries, which will be responsible for each ministry's compliance with the recommendations of the Ombudsperson Institution of Kosovo.

53. The President, the Prime Minister and ministers continued to visit communities. On 25 October, the Government approved a consolidated outreach

plan for ministers among non-Albanian communities that will aim at encouraging participation of members of those communities in the Provisional Institutions.

Sustainable returns and the rights of communities: challenges ahead

54. The policy framework for voluntary returns is now in place. The success of its implementation depends on leadership and commitment from the central institutions. Valuable support for the returns process is being provided, in particular by the Ministry of Local Government Administration, but sustainable progress can only be achieved if the serious managerial issues facing the Ministry of Returns and Communities are addressed. Transfer of further competencies to that Ministry should depend on improvements in this field.

55. The repatriation of Kosovans returning from third countries after being denied legal status presents a huge potential problem of resources and organization. An estimated 90,000 are subject to deportation and return to Kosovo. UNMIK and the Provisional Institutions have developed a joint plan to address their needs and to manage the transfer of repatriation functions to the Provisional Institutions.

56. An administrative instruction on the Anti-Discrimination Law has been issued, but more efforts are needed for its implementation.

57. Displaced people, particularly women, need to be consulted more in the decision-making process, and a database of displaced persons is urgently needed.

58. The functioning of Communities Committees and Mediation Committees needs to be re-examined. There is generally poor participation and a lack of quorum.

Economy

59. The mid-year review of the 2006 budget, promulgated by the Special Representative of the Secretary-General on 19 September, was generally budget-neutral. The Ministry of Finance and Economy continues to enforce the authorized ceiling on the wage bill, and on 7 September the Government imposed a hiring freeze, with the exception of a few employment categories. There has been little progress, however, on public service reform and head-count reduction, and the wage bill is likely to remain higher than that recommended by the International Monetary Fund (IMF). The potential implementation of a number of laws on social benefits would have a significant upward effect on public expenditure. The 2007 budget is currently being prepared below the ceiling recommended by IMF. A final draft was submitted to the Government on 31 October.

60. The average revenue collection rate of the Kosovo electricity company (KEK) has increased from 32 per cent for the year 2005 to 36 per cent for the first half of 2006 (revenue collected against total energy supplied). The Company's ABC load-shedding scheme remains in place, and it has also introduced mobile cash collection offices. The courts have recently issued convictions against two criminal cases of debt to KEK. The Ministry of Energy and Mines has continued a public information campaign on the importance of paying bills and economical use of energy, with the support of the European Agency for Reconstruction.

61. The Statistical Office of Kosovo produces monthly trade and consumer price statistics; IMF has corrected certain errors in the compilation of the latter. Economic accounts for 2005 are overdue, and there is a lack of basic data (principally a

business survey) for the compilation of future statistics. The Office faces difficulties in retaining experienced local staff.

62. At the end of September, the Office of the Auditor General conducted a preliminary review of follow-up on auditors' recommendations in 10 municipalities and two ministries. Preliminary findings indicate that little has been done. On 13 October, the Ministry of Finance and Economy addressed a letter to all budget organizations to undertake immediate measures to implement the Auditor General's recommendations.

63. The Mission has received a number of procedural complaints against the Tax Administration of Kosovo from various businesses. In addition, the Kosovo Trust Agency has complained to the Minister of Finance and Economy regarding the Administration's handling of tax-related issues of various socially owned enterprises. UNMIK Customs has noted that the Administration currently lacks a strategic planning component and work plans for 2006 and 2007, and also that it has failed to set up a working group in the context of the Fiscal Blueprints benchmarking exercise of the European Union, as requested by the European Commission at the Stabilization and Association Process Tracking Mechanism meeting held in July 2006.

64. The Board of Directors of the Kosovo Trust Agency has met regularly and agreed to launch the nineteenth and twentieth waves of privatization. The total proceeds of paid and pending contracts currently amounts to €236,152,396. The Deputy Special Representative of the Secretary-General for Pillar IV and the Minister for Local Government Administration have agreed on a list of criteria to be applied in processing municipal requests to use land owned by socially owned enterprises for the benefit of the public.

Economy: challenges ahead

65. Compliance with IMF recommendations remains a major medium/long-term challenge in the face of upward pressures on expenditure, including those potentially related to a status settlement.

66. The Tax Administration of Kosovo should investigate procedural complaints raised by the Kosovo Trust Agency and various businesses, develop annual working plans, and establish a working group for the purposes of the European Union Fiscal Blueprints benchmarking exercise.

67. Responsiveness to and implementation of auditors' recommendations needs to improve.

68. Despite some improvements in revenue collection, non-payment of bills remains a major problem for a number of public utilities and an obstacle to their attainment of economic viability.

69. The Ministry of Public Services and the Statistical Office of Kosovo need to develop a plan for the absorption of future technical assistance and the retention of experienced capacity in the Statistical Office.

Property rights

70. Legal reform relating to property rights is slowly moving forward. The law on housing is awaiting adoption by the Assembly. The draft law on the treatment of illegal constructions is pending approval by the Prime Minister. Other bills are under review by the Assembly to ensure compliance with European standards.

71. A strategy is under discussion to reduce the backlog of disputes relating to property before the courts, which has reached 31,017 cases (two thirds of the overall civil case backlog; see para. 33), though these include 18,132 conflict claims lodged against UNMIK, KFOR and the Provisional Institutions by Kosovo Serbs, stayed at the request of the UNMIK Department of Justice. Another 2,939 claims of a similar nature were lodged by Kosovo Albanians against Serbia and individuals.

72. The Ministry of Environmental and Spatial Planning and the municipalities have allocated a budget to social housing programmes. The total budget allocated is €6,143,300.

73. Repossession is not usually the choice of the successful claimant (other options are administration of the property or withdrawal of the claim). The percentage of repossession thus remains low (15.74 per cent of 4,117 implemented category C cases). When repossession requests result in an eviction order, the number of cases in which the unlawful occupant voluntarily releases the property is low (562 cases, 13.6 per cent). In comparison, in 3,571 cases (86.4 per cent), a forced eviction has been necessary.

74. Illegal occupation of non-residential properties continues to be a widespread phenomenon. To date, the Kosovo Property Agency has received 4,022 claims related to agricultural and commercial property.

Property rights: challenges ahead

75. A strategy to address the backlog of property-related cases needs to be agreed upon and implemented.

76. Illegal construction remains rife. In addition to the legal reform now under way, there is an urgent need for a comprehensive policy at the central level to address the issue.

77. Municipalities, in cooperation with ministries, must remedy previous irregular expropriations and ensure that ongoing public works comply with the law.

78. The Kosovo Property Agency lacks funding for the duration of its mandate and still needs donor support, in addition to the €2.7 million provided through the Kosovo budget.

79. The Kosovo-wide medium- and long-term strategy and action plan on regularizing existing informal settlements and preventing new ones need to be developed and implemented.

Cultural heritage

80. Reconstruction and restoration of cultural heritage sites by the Reconstruction Implementation Commission continue. After an accelerated tender in early June, the replacement of the stolen roof of Ljeviska church was completed on 31 August, and work started on three other sites (St. George, St. Nicholas and Dević Monastery). A

second round of tenders that included additional work to these sites as well as to three other sites (St. George Runović, Presentation of the Virgin and St. Elias) was evaluated early in September and works began on 2 October. A third round of additional work to a church (Holy Virgin Mary) was evaluated on 13 October and work should begin early in November.

81. Since the previous reporting period, there has been a decrease in the number of incidents relating to cultural heritage property and monuments. Between 7 August and 26 October, six incidents were reported, including one case of attempted theft at an Orthodox church. Two cases have been sent to the prosecutor.

82. Following the series of incidents during the previous reporting period, the Ministry of Culture, Youth and Sports initiated weekly security meetings with KPS. Additional protection measures now include increased local patrolling by KPS at cultural heritage and religious sites, especially Orthodox sites under reconstruction.

83. Progress has been made on the inventory of cultural heritage. The assessment of data already existing in the architectural, archaeological and movable inventories is ongoing. According to most recent updates, a total of 2,847 objects have been identified in the inventory process since 2003; of these, 426 objects have been listed under protection by law. The Ministry of Culture, Youth and Sports hopes to complete the inventory database by the end of 2006.

Cultural heritage: challenges ahead

84. Condemnation by political and community leaders of incidents affecting cultural heritage sites should continue, to encourage the public to respect cultural heritage and cooperate with law enforcement.

85. The Ministry of Culture, Youth and Sports needs a policy for the allocation of funding for cultural heritage protection. At present, funds are allocated on an ad hoc basis, which makes it hard for partner organizations to plan ahead.

86. Once the adopted Law on Cultural Heritage has been promulgated, subsidiary legislation needs to be drafted to implement the law.

Kosovo Protection Corps

87. Non-Albanian membership of the Kosovo Protection Corps has risen throughout 2006. From 180 at the start of the year, by 26 October there were 223 non-Albanian members, or 7.4 per cent of a total workforce of 3,030, including 58 Serbs (up from 52 in August). Intimidation from within the Kosovo Serb community itself is still an obstacle to the recruitment and retention of Kosovo Serbs. Throughout 2006, the focus has been on retention and support, which has included visits to non-Albanian communities.

88. Women are represented at all levels of KPC and continue to occupy relatively more senior ranks in comparison with men. The United Nations Development Fund for Women (UNIFEM) and KPS began gender-awareness training for KPC officer courses on 21 October, continuing a tradition of cooperation between UNIFEM and KPC in that area.

89. The continuing leadership of KPC in the reconstruction of properties damaged in March 2004 in Svinjare/Svinjare village has remained a high-profile activity during the reporting period (see para. 4). The implementation of reconstruction and

humanitarian projects, especially for non-Albanian and mixed communities, has been a consistent feature of KPC activity.

90. Disciplinary compliance continues to improve. On 29 August, the KPC Disciplinary Board convened for the second time under its new code. It reviewed 21 cases and recommended 12 KPC members for dismissal: 10 for absenteeism, including 8 Kosovo Serbs. Absenteeism continues to be the most common disciplinary offence, but shows a declining trend.

91. In August, the Geneva International Centre for Humanitarian Demining conducted an independent assessment of the remaining mine and unexploded ordnance tasks in Kosovo, and judged that KPC would be ready to assume sole responsibility for all mine action in Kosovo as of late 2007. On 27 September, KPC began technical survey operations of all outstanding dangerous and suspicious areas, a new responsibility that further builds its capabilities. By 27 October, KPC, together with a number of non-governmental organizations, had cleared nearly 2.5 million square metres of land and located and destroyed 2,364 pieces of unexploded ordnance and other ordnance.

92. The Civil Protection Brigade is on track for full operational capability by 31 December 2006. Its first full-scale field training exercise, from 5 to 8 September, successfully tested its capabilities. The Brigade was inaugurated on 6 June 2005 and has operating capability in search and rescue, explosive ordnance disposal, firefighting and hazardous material protection.

Kosovo Protection Corps: challenges ahead

93. Despite positive recruitment policies, active engagement among Kosovo Serb communities and no internal evidence of discrimination, KPC still has difficulty in attracting and retaining recruits from the Kosovo Serb community.

94. Difficulties are apparent as KPC starts to face the coming challenge of transformation following a final status settlement. Donor support will be needed for resettlement programmes and other engagement to ensure that KPC is able to respond to that challenge.

95. Other donor support is also needed to enable KPC to become more professional.

Annex II

A. Composition and strength of the police component of the United Nations Interim Administration Mission in Kosovo (as at 31 October 2006)

Argentina	11	Malaysia	2
Austria	22	Nepal	19
Bangladesh	3	Netherlands	1
Brazil	2	Nigeria	24
Bulgaria	45	Norway	19
China	18	Pakistan	155
Croatia	9	Philippines	45
Czech Republic	13	Poland	123
Denmark	21	Portugal	7
Egypt	17	Romania	170
Finland	4	Russian Federation	33
France	53	Slovenia	8
Germany	182	Spain	13
Ghana	15	Sweden	35
Greece	10	Switzerland	6
Hungary	6	Timor-Leste	10
India	78	Turkey	125
Italy	26	United Kingdom of Great Britain and Northern Ireland	60
Jordan	58	United States of America	208
Kenya	16	Ukraine	183
Kyrgyzstan	5	Zambia	9
Lithuania	8	Zimbabwe	18
Total			**1 895**

B. Composition of the Kosovo Police Service (as at 31 October 2006)

Category	*Percentage*	*Number*
Kosovo Albanians	83.94	6 031
Kosovo Serbs	10.30	740
Other ethnic minority members	5.76	414
Total	**100**	**7 185**
Men	86.40	6 208
Women	13.60	977

Annex III

Composition and strength of the military liaison component of the United Nations Interim Administration Mission in Kosovo (as at 31 October 2006)

Country	*Number of liaison officers*
Argentina	1
Bangladesh	1
Bolivia	1
Bulgaria	1
Chile	1
Czech Republic	1
Denmark	1
Finland	2
Hungary	1
Ireland	4
Italy	1
Jordan	2
Kenya	1
Malawi	1
Malaysia	1
Nepal	1
New Zealand	1
Norway	1
Pakistan	1
Poland	1
Portugal	2
Romania	2
Russian Federation	2
Spain	2
Ukraine	2
United Kingdom of Great Britain and Northern Ireland	1
Zambia	1
Total	**37**